

## **2006-2007 BUDGET GOALS**

The goals of San Luis Obispo County, in the development and implementation of its annual budget, are to:

- Establish, a comprehensive financial plan which demonstrates, in measurable terms, that County government runs efficiently, provides high quality services, complies with all legal requirements and produces results that are responsive to community priorities and desires; and
  
- Further the County's mission to serve the community with pride while enhancing the economic, environmental and social quality of life in San Luis Obispo County.

## 2006-2007 BUDGET POLICIES

### A. All Funds

1. **Budget Process:** County departments shall participate and cooperate during the budget development process to facilitate the creation of a budget based upon a collaborative effort between the Board of Supervisors, the Administrative Office, Department Heads and the community.
2. **Results Based Decision Making and Budgeting:** The County is committed to providing efficient, high quality services that produce clear results for the public we serve. Budget requests and recommendations must be linked to measurable results that are responsive to community desires.
3. **Communitywide Results and Indicators:** The Board adopted communitywide results that shall be used by all departments to strategically guide the budget preparation process. Departments will link all goals and funding requests to communitywide results.
4. **Departmental Goals and Performance Measures:** Individual departments will establish goals that will facilitate achievement of the desired communitywide results. Departments will also develop meaningful performance measures that will be used to gauge the success of individual programs within a department. All requests to allocate additional resources to a new program or service must clearly demonstrate expected results in measurable terms. If additional funding is requested to augment an existing program or service, departments must identify actual results achieved to date in meaningful, measurable terms.
5. **Mission Statements:** County departments shall have a Department Mission Statement consistent with San Luis Obispo County's overall Mission Statement.
6. **Pursuit of New Revenues:** County departments are directed to pursue revenue sources, when reasonable, in support of the communitywide results sought by the County.
7. **"In-Kind" Contribution:** Where matching funds are required for grant purposes, provide as much "in-kind" contribution (resources already allocated by the County that will be expended in any case) as allowed, instead of hard dollar matches.
8. **Budget Hearings in June:** Conduct final budget hearings before the end of June; adopt budget by July 1, unless extenuating circumstances arise and the Board adopts a revised budget schedule for that particular year; adjust final numbers - no later than October 3.
9. **Cost Allocation:** Allocate Countywide overhead costs to all County departments based on the cost allocation and implementation plan developed annually by the Auditor-Controller.
10. **Consolidation of Programs:** County departments are encouraged to consolidate programs and organizations to reduce county costs while maintaining or increasing existing levels of service. Before service level reductions are proposed (i.e. if budget cuts are required), department heads will determine if consolidation of departmental or countywide programs or services would be cost effective.

11. **Privatization of Services:** County departments are encouraged to identify and recommend opportunities for cost savings whenever possible, including the privatization of services, that are beneficial to the county and legally possible. Analysis will include review of existing services, including the possibility of "contracting in" with existing personnel and the development of a transition process for those services approved for privatization. In implementing significant new services, a thorough cost and program analysis shall be conducted to ascertain if privatizing will result in reduced costs, increased services and accountability.
12. **Reductions:** Reductions shall be evaluated on a case-by-case basis, in a fashion consistent with Board approved budget policies, to reach the appropriations level required within the available means of financing. When budget reductions are necessary, departments will prioritize their service programs and propose reductions in areas that are least effective in terms of achieving departmental goals and desired results. Departments must also consider the potential effects on interrelated programs and desired communitywide results when developing budget reductions.
13. **Investing in Automation:** The Board recognizes that cost reduction, cost avoidance and process efficiency can be enhanced by utilizing automation. Proposals for investments in automation, particularly computer automation, must measurably demonstrate how cost savings will be achieved and/or how services will be improved. It will be important that countywide benefits, compatibility with existing systems, and potential liabilities are fully addressed. All proposals for major automation improvements will be reviewed and approved by the Information Technology Executive Steering Committee prior to formal Board approval.
14. **Cost Recovery Through Fees:** Utilize fees to recover costs where reasonable and after all cost saving options have been explored. Exceptions will be reviewed on a case-by-case basis.
15. **Matching Funds - County Share:** No increased county share for budgets funded primarily from non-general fund sources if state funding is reduced, unless increased county share is mandated. The Board of Supervisors, at its discretion, may provide county "overmatches" to under-funded programs to ensure or enhance specified levels of service. Proposed "overmatches" shall include the specific, measurable, goals and results expected to be attained at both the "required" and the "overmatch" funding levels.
16. **Non-Emergency Mid-Year Requests:** Mid-year budget (including staff requests) or capital project requests of a non-immediate nature requiring a transfer from contingencies are recommended to be referred to the next year's budget deliberations. Mid-year requests with other funding sources or which can be absorbed within a department's budget are considered as needed.
17. **Appropriations from Unanticipated Revenues:** Appropriations from departmental unanticipated revenues will not be recommended unless the department is either reaching or exceeding its total departmental revenue estimates on a monthly or quarterly basis, or its revenues are in line with historical revenue trends for that department. Grant program revenues and appropriations would be handled separately.

18. **General Fund Support:** General Fund Support is the amount of General Fund money to a given budget after revenues and other funding sources are subtracted from expenditures. These net costs would be used in developing budget recommendations and when reviewing budgets during the quarterly reporting process. Significant departures from the General Fund Support amounts during the fiscal year may result in a recommendation that appropriations be reduced to allow/ensure that the budgeted net cost would be achieved by the end of the fiscal year.
19. **Debt Financing:** Recommendations for debt financing of major projects will include cost benefit analysis of available options and funding alternatives. Every attempt will be made to provide for debt service through dedicated revenues that can be maintained over the life of any debt, before the General Fund is accessed for such a purpose.
20. **Discretionary Programs:** Review all discretionary programs to determine if they are a high priority program with communitywide benefits and demonstrated results. Preferences for funding of new discretionary programs are for those which will facilitate the achievement of Board adopted communitywide results utilizing non-General Fund revenue first, offsetting fee revenue (if appropriate) second, and General Fund last. All requests for discretionary funding must be accompanied by a performance plan that clearly describes actual and/or expected results in measurable terms.
21. **Maintain or Enhance Revenue Generating Ability:** Appropriate sufficient funds to maintain the capabilities of budgets that generate revenues in excess of their costs. Enhancements to such budgets will be dependent upon resulting revenues being in excess of the associated costs.
22. **Funding of Contingencies and Reserves:** For the General Fund place a minimum of 5% of available funds into contingencies. Additionally, place up to 15% of available funds into contingencies and any additional unrestricted funds into reserves, after departments' operational needs are funded.

## **B. Capital Projects**

1. Review and evaluate projects based upon their cost, scope, countywide significance and correlation to facility master plans.
  - A. The following criteria shall be used in evaluating projects:
    1. Additional funds required to make committed projects operational.
    2. Required to meet a legal or policy mandate.
    3. Required to improve unacceptable health and safety conditions.
    4. Is at least 80% revenue offset or there is a "payback" in three years or less.
    5. Required to maintain existing assets or facilities.

6. Required to maintain existing service levels.
7. Reduces or avoids other county costs.

Proposed projects shall include the project's anticipated impact on current and future operating costs.

Projects will be recommended for approval that are 100% revenue offset or have their own funding source (such as golf courses and Lake Lopez), which meet one or more of the above criteria and would be reasonable in terms of scope or cost.

2. **Library Projects:** Consider funding new library buildings or major improvements to existing libraries only if at least 50% of the cost of the project is provided by the community in which the facility is located. The funding required from the community may be comprised from a variety of sources, including grants, school districts, cities, community group funding, private donations, or fees generated for specific use in libraries. The county's portion of this funding formula will be financed from the Library budget (Fund 1205), grants, gifts, the General Fund or fee revenues generated for specific use in libraries.
3. **Maintenance Costs:** Consider cost of ongoing maintenance before recommending capital projects, acquisition of additional parklands or beach accessway projects.
4. **Master Plans:** Consider approving projects included in master plans if they have their own funding sources or if they are requested from other sources which identify an operational need for the facility.
5. **Grant Funded Capital Projects:** For grant funded projects, when a county match is required, budget only the county share if receipt of grant money is not expected in the budget year. If there is a reasonable expectation that the grant revenue can be received during the budget year, budget the entire project amount including revenues.
6. **Encumbrances:** The Auditor-Controller is authorized to encumber capital project money appropriated for a specific capital project at the end of each fiscal year, if work has been undertaken on that project during the fiscal year. Evidence that work has been undertaken would be in the form of an awarded contract or other item upon which the Board of Supervisors has taken formal action.
7. **Phasing of Large Projects:** For capital projects which will be undertaken over several fiscal years, develop full project scope and costs in the initial year.